

Message Text

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70

ACTION ARA-10

INFO OCT-01 EA-07 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 H-02 L-03

INRE-00 NSCE-00 SSO-00 USIE-00 /084 W
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FM AMEMBASSY MEXICO
TO SECSTATE WASHDC IMMEDIATE 7733
INFO TRSY WASHDC IMMEDIATE
AMEMBASSY MANILA IMMEDIATE

C O N F I D E N T I A L MEXICO 12609

MANILA PASS USDEL TO BANK/FUND MEETINGS, ATTN R. ERB.

E.O. 11652: GDS

TAGS: EFIN, MX

SUBM: \$800 MILLION LOAN TO MEXICO

1. BANK OF AMERICA HAS BEEN REQUESTED BY THE MEXICAN TREASURY TO BE THE AGENT FOR A \$800 MILLION MEDIUM-TERM LOAN TO MEXICO. THE POTENTIAL MANAGERS HAVE BEEN SELECTED BY THE TREASURY ON THE BASIS OF THEIR TRADITIONAL SUPPORT FOR MEXICO. MANAGERS ARE TO COMMIT THEMSELVES TO \$50 MILLION, WITH EXPECTATION THAT THEY WILL NOT SELL OFF MORE THAN \$15 MILLION OF THIS.

2. LOAN IS TO BE IN TWO PARTS, WITH ONE FOR FIVE YEARS AT 1.5 PERCENT OVER LIBO, THE OTHER FOR SEVEN YEARS AT 1.75 PERCENT OVER LIBO. THESE ARE TERMS AT WHICH MEXICO WAS BORROWING PRIOR TO SEPTEMBER 1. BOTH PARTS OF LOAN ARE TO BE DRAWN ON NOVEMBER 20. BORROWER WILL BE THE UNITED MEXICAN STATES, I.E., THE FEDERAL GOVERNMENT.

3. MEXICANS ARE GOING TO NEW YORK ON MONDAY, OCTOBER 4,
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TO MEET WITH POTENTIAL MANAGERS FOR PURPOSE OF PRESENTING

CASE TO MANAGERS AND DEALING WITH A LONG LIST OF QUESTIONS THAT BANKERS ARE POSING. GOM EXPECTS A DECISION TO BE MADE BY OCTOBER 5.

4. FINATT HAS HAD SEVERAL CALLS ON THIS LOAN AS BANKERS ARE CURIOUS HOW THIS LOAN FITS INTO TREASURY/IMF FINANCING. WE HAVE SUGGESTED THAT THEY DIRECT QUESTIONS TO MEXICANS ON MONDAY. OUR CONTACTS SEEM TO BE WORRIED THAT THE GOM WANTS TO USE THIS MONEY TO BYPASS IMF. ON THE OTHER HAND, THEY REALIZE THAT MEXICO NEEDS THE MONEY AND THAT THEY HAVE BEEN THE MAJOR LENDERS. THEY APPEAR RELUCTANT TO TURN DOWN THE GOM AT THIS STAGE, PARTICULARLY AS THEY HAVE BEEN "SELECTED" BY THE TREASURY TO PARTICIPATE IN THIS LOAN.

5. WE HAVE LEARNED OF THIS LOAN THROUGH BANKING SOURCES RATHER THAN GOM OFFICIALS WHO APPARENTLY WANT TO KEEP THIS REQUEST CONFIDENTIAL PERHAPS IN FEAR THAT IT MAY NOT COME OFF.
JOVA

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Margaret P. Grafeld
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